

# Congress of the United States

Washington, DC 20515

September 30, 2003

The Honorable J. Dennis Hastert  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

In late July, you appointed us to co-chair the Task Force on Affordable Natural Gas (TFANG) and to report findings to you by September 30, 2003 on the causes of the current natural gas shortage, the impact of natural gas prices on the American economy, and short- and long-term ideas to encourage a stable supply of natural gas to ease prices to consumers and job-creating industries. We hereby submit our report.

Our findings are stark: the United States is on a trajectory towards an energy future which threatens Americans' livelihoods and quality of life, and puts at peril our national manufacturing and industrial base. Without radical correction, the present course will have far-reaching impacts on our economy, resulting in reduced revenues and increased outlays to the federal treasury. A massive outflow of energy-dependent industries and the jobs they support will have a significant negative effect upon our GDP, currently 33% of the world's total economic output. The U.S. will be poorer, and energy costs will consume a larger part of our national and personal incomes. Significant losses of economic activity have already been recorded, and jobs and investment will continue to flow to those parts of the world with cheaper natural gas prices until a balance in government policies is reestablished.

This need not come to pass. We have found that North American is blessed with enormous quantities of natural gas. In the latest assessment of North American natural gas potential, the National Petroleum Council reports that there are approximately 2,000 trillion cubic feet (TCF) of natural gas available while our current use is about 25 TCF per year. Even with significant projected growth in demand, this supply would provide our nation with clean fuel and material feedstock for generations.

Demand for natural gas has been increasing – and is projected to continue to increase – as a result of its environmental benefits. In many parts of the country, it is the *only* permitted option for electrical generation so necessary for our modern quality of life. But efforts to produce, transport and distribute natural gas have become more difficult and access to supplies has been enormously reduced. Government policies compel the use of more natural gas, and are at the same time making supplies of natural gas more difficult to obtain. The only logical outcome is an increase in price to all consumers, with the attendant economic dislocations we have witnessed of late.

The government policies that drive the increasing use of natural gas are an acknowledgment that new technologies exist which can make Americans' lives better through a cleaner environment. Despite overwhelming evidence that new technologies *also* make natural gas production cleaner, safer and better for the environment, government policies in this area are stuck in the past. Laws passed by Congress and State and local governments to ensure that energy production is conducted in the manner most protective of our environmental values have been ignored in the public policy debate and replaced by efforts to preclude natural gas production entirely. Washington's policies are in denial about the benefits of modern natural gas production, and this must change before energy our future moves towards a sustainable recovery.

To fulfill our mandate, TFANG conducted five formal meetings throughout the country. Formal meetings were held in State College, Pennsylvania; South Bend, Indiana; Hobbs, New Mexico; Golden, Colorado and Oklahoma City, Oklahoma. Testimony was received from consumers; manufacturers; fertilizer producers and farmers; citizens concerned about the environment; local government and school officials; hospital administrators; industrial users; academics; natural gas producers, transporters and distributors and representatives of the poor and those on fixed incomes. We were exposed to new natural gas technologies that promote efficiency in its use and were made aware of the extraordinary progress in the science and technology of modern natural gas production.

In addition, Members of TFANG conducted their own information-gathering sessions, visited numerous sites and held meetings with a vast array of stakeholders during August. We can report that in all cases, Americans are deeply concerned about the impact of rising natural gas prices on their lives, their livelihoods and their pocketbooks. They have reviewed alternatives to their use of natural gas and its products, which in many cases provide catastrophic environmental consequences. For example, in Hobbs, New Mexico, we learned that in order for a farmer to organically treat land for corn production with equal efficacy as that provided by his current nitrogen fertilizer, it would be necessary to spread two feet – 24 inches – of manure across his entire farm.

It is clear from our inquiry that the American people are cognizant of the growing imbalance between the supply and demand for natural gas. They have seen it in their utility and product bills, and sometimes, in a pink slip from their employer. And they are becoming aware that conflicting government policies are at the heart of the problem.

The accompanying report will serve to open a dialogue about the need for new policies. Some of these policies are being contemplated within the range of those matters currently under discussion by Congress in its deliberations concerning the conference report on the Energy Bill. Still others will require significant changes well beyond the scope of the Energy Bill, and may only be able to be undertaken when Americans become so angry over the

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consequences of these conflicting policies that they demand Congress get serious about providing for the nation's economic security.

Washington should develop policies that are not in conflict, so that economic dislocation not be necessary in order to forge policies that are reflective of the present realities. It makes no sense, in our view, to place America's energy and economic security in jeopardy by the adoption of schizophrenic policies at conflict with one another. However, it is sometimes said that governments are most often spurred into reaction by a lack of foresight to act. While it is not too late to act to adopt policies that will help the American people, as you will see, there are few viable options available to us in the short term to forestall inevitable economic pain for millions of Americans. The policies of encouraging natural gas have been in place for at least a decade, and those restricting access for much longer.

We are honored to have served your request to co-chair the Task Force on so important an issue as that concerning the relationship between our natural gas situation and the future of the nation's economy. As always, we are at your service. We are transmitting this abbreviated summary to you and the bound version will be available forthwith.

Sincerely,



W.J. "Billy" Tauzin  
Chairman  
Committee on Energy & Commerce



Richard W. Pombo  
Chairman  
Committee on Resources